FINAL BILL REPORT
SHB 1284

C 163 L 19
Synopsis as Enacted

Brief Description: Creating the capacity for the state treasurer's office to provide separately managed investment portfolios to eligible governmental entities.

Sponsors: House Committee on State Government & Tribal Relations (originally sponsored by Representatives Vick, Kirby, Reeves, Volz, Kilduff, Ryu, Stanford, Dolan, Frame and Jinkins; by request of State Treasurer).

House Committee on State Government & Tribal Relations
House Committee on Appropriations
Senate Committee on Ways & Means

Background:

The Office of the State Treasurer (OST) administers a trust fund ("the pool") alternatively called the Public Funds Investment Account (by statute) or the Local Government Investment Pool (by OST rules). The pool consists of money deposited by the State Treasurer and any counties, municipalities, political subdivisions, state agencies, or tribes that are authorized to invest money in the pool. Because most state agencies lack statutory authority to invest their funds, the pool is primarily used by local governments. Institutions of higher education generally have statutory investment authority and use the pool as well.

To participate in the pool, these governmental entities must agree to contribute or withdraw funds in accordance with OST rules. Each participant in the pool maintains a separate account, and the OST provides pool participants with monthly statements.

There are two subpools in the pool: a money market fund (MMF) and an extended asset fund (EAF). Funds in the MMF are invested in money market instruments, which are generally borrowed and loaned or bought and sold on a short-term basis with short maturity dates. Money is available in the MMF subpool for same-day withdrawal, although requests to withdraw more than $1 million are subject to the discretion of the OST.

Investments in the EAF generally have a longer maturity date. Governmental entities may not deposit money directly into the EAF—contributions to the EAF may be made only after a corresponding withdrawal from the entity's MMF account. As of May 1, 2019, the EAF is not in use.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The OST is responsible for investing the funds in each subpool to maximize their yields, using due care and considering both probable income and probable security. All earnings on the money in the pool are credited back into the pool. The costs of operating the pool are reimbursed by pool participants on a prorated basis.

The OST is authorized to employ personnel as needed to administer the pool. At the end of each fiscal year, the OST must submit a review of pool activity to the Governor, the State Auditor, and the Joint Legislative Audit and Review Committee.

Summary:

The OST may enter into agreements with eligible counties, municipalities, political subdivisions, state agencies, or tribes that are authorized to invest their funds to create a Separately Managed Account (SMA) to be invested in one of two new trust funds.

One of the new trust funds is the Separately Managed Public Funds Investment Account (PFIA). The PFIA includes funds deposited by eligible governmental entities that are not state agencies. The other new trust fund is the Separately Managed State Agency Investment Account (SAIA). The SAIA includes funds deposited by eligible state agencies.

The OST deducts a service charge from an entity's investment earnings to pay for the SMA investment program. Those fees are deposited into the newly created Separately Managed State Treasurer's Service Account. That account is not subject to appropriation or allotment; the only expenditures permitted are to pay for the SMA investment program.

Unlike the existing pools for which the OST rules govern investments and withdrawals, each governmental entity with an SMA enters into an agreement with the OST that contains provisions relating to the time period for investments, payment for services, and withdrawing funds. The agreement must include service charges so that the administration of the SMA does not result in costs to the state. The OST is responsible for investing the funds, using due care and considering both probable income and probable security. The OST is also required to consider the public policies of Washington and the values of its citizens when making investment-related decisions.

The OST is authorized to employ personnel as needed to administer the new trust funds.

Votes on Final Passage:

House	98	0
Senate	47	0

Effective: July 28, 2019